

**United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report**

Case Number

0506-0026

Case Title:

(b)(6), (b)(7)(C) Enterprises Inc.

Reporting Office:

Detroit, MI, Resident Office

Subject of Report:

Interview of (b)(6), (b)(7)(C), Deputy Director, DWSD

Activity Date:

July 10, 2012

Reporting Official and Date:

Carol A. (b)(6), (b)(7)
Acting Assistant Special Agent in Charge

Approving Official and Date:

(b)(6), (b)(7)(C)
Special Agent in Charge

25-AUG-2012, Signed by Carol A. (b)(6),

28-AUG-2012, Approved by (b)(6), (b)(7)(C)
Special Agent in Charge

SYNOPSIS

On July 10, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) Deputy Director, Detroit Water & Sewerage Department (DWSD) regarding certain contracts awarded during the (b)(6), (b)(7)(C) Mayoral Administration. (b)(6), (b)(7)(C) has been interviewed previously by SA (b)(6), (b)(7)(C) and FBI SA (b)(6), (b)(7)(C). Before being promoted to Deputy Director (b)(6), (b)(7)(C) was the Manager of the Contracts and Grants group at the DWSD.

DETAILS

On July 10, 2012, U.S. EPA CID Special Agent (SA) (b)(6), (b)(7)(C) interviewed (b)(6), (b)(7)(C) Deputy Director, Detroit Water & Sewerage Department (DWSD) regarding certain contracts awarded during the (b)(6), (b)(7)(C) Mayoral Administration. (b)(6), (b)(7)(C) has been interviewed previously by SA (b)(6), (b)(7)(C) and FBI SA (b)(6), (b)(7)(C). Before being promoted to Deputy Director (b)(6), (b)(7)(C) was the Manager of the Contracts and Grants group at the DWSD. Also present during the interview was Assistant U.S. Attorney (AUSA) Jennifer Blackwell. (b)(6), (b)(7)(C) provided the following information:

CM 2007 Automated Water Meters contract was originally put out under the (b)(6), (b)(7)(C) Mayoral Administration and when (b)(6), (b)(7)(C) was the DWSD Director. (b)(6), (b)(7)(C) was the Contracts and Grants manager when the original contract was put out for bid. ABB was the contractor which was to be awarded the contract but DWSD staff could not agree on what type of system to use. The members of the evaluation committee wanted to go forward with a fixed base system, meaning that the readings were remotely taken and sent to the DWSD via radio tower. The Director and Deputy Director wanted to sue a drive by system, where a DWSD employee would drive down the street and a system in the vehicle would receive readings from the residential units. The impetus behind putting this contract out for bid was that the existing meters needed to be replaced given their age; were not recording properly and thus were costing the DWSD money in missed readings.

In 2003 when (b)(6), (b)(7)(C) was the Contracts and Grants manager the request for proposal for the meter contract was reissued. The DWSD staff again debated over whether to use the drive by or fixed base system. The decision was made to have the bidders submit proposals for a drive by system but could also submit proposals for a fixed base system.

(b)(6), (b)(7)(C) was shown Addendum #3 for the 2003 RFP. (b)(6), (b)(7)(C) explained that addendums are generally issued to answer prospective proposer's questions and provide clarification on issues contained in the RFP. Either (b)(6), (b)(7)(C) tells (b)(6), (b)(7)(C) staff to issue an addendum in response to questions

This document contains neither recommendations nor conclusions of the EPA.
It is the property of the EPA and is loaned to your agency;
it and its contents are not to be distributed outside your agency.

**United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report**

Case Number

0506-0026

and inquires by the proposers or vice versa.

(b)(6), was asked if (b) was present when Mayor (b)(6), (b) came into DWSD Director (b)(6), (b)(6), (b) office and told (b)(6), (b) that the meters contract was going to be awarded to Johnson Controls. (b)(6), replied that (b) was not present for this conversation nor had (b) ever heard of it. (b)(6), clarified that it wasn't that (b) didn't recall such a conversation but that (b) was sure it never happened in (b) presence. (b)(6), commented that (b) would have remembered an incident such as this. (b)(6) (b)(7)

(b)(6), recalled being told by (b)(6), (b) that they needed to go see the Mayor. (b)(6), asked (b)(6), (b) what (b)(6), (b) wanted to talk to them about to which (b)(6), (b) said (b) didn't know. (b)(6), (b) and (b)(6), walked from their offices to the Coleman A. Young building and met with Mayor (b)(6), (b) in (b) office there. (b)(6), (b) asked (b)(6), and (b)(6), (b) what was the matter with the local economic development (LED) credits used by the city in contracting and that (b) had heard rumblings about it. (b)(6), told (b)(6), (b) that the points given for LED were too high and that there were some problems with certain firms certifications as they were not truly Detroit based or headquartered. (b)(6), explained to SA (b)(6), (b) (7) that at this time the DWSD was getting a lot of complaints about the application of the LED credits. (b)(6), told (b)(6), (b) that the way the city applied the LED credits set up the situation so that the credits were the determining factor on who was going to win a contract. (b)(6), (b) then asked (b)(6), about the firm DLZ. (b)(6), replied "what do you mean?" (b)(6), (b) then asked if DLZ was a truly a Detroit headquartered business. (b)(6), told (b)(6), (b) that their main office was in Columbus, Ohio but that (b) truly did not know if they were Detroit headquartered as (b) did not research it (b)(6),. During this discussion (b)(6), thought that (b)(6), (b) was focusing on CM 2014 and 2015 but since DLZ wasn't the prime contractor (b) wasn't sure. (b)(6) (b)(7)

(b)(6), does not know when this meeting occurred but stated that it was certainly before the awarding of CM 2014. (b)(6), was shown a copy of (b)(6), (b) (7) Mayoral Calendar for May 4, 2006 which has an entry for a meeting with (b)(6), and (b)(6), (b) from 4:30 to 5:30. (b)(6), recalled that the meeting was short and approximately 20 minutes. This meeting is the only one (b)(6), had with (b)(6), (b) DLZ was the only contractor discussed at this meeting. (b)(6), doesn't recall (b)(6), (b) saying anything during this meeting. (b)(6), thought that it was really unusual that (b)(6), (b) wanted to see (b) (b)(6) (b)(7)

It was no secret that (b)(6), was a vocal opponent of the weight assigned to the LED credits. (b)(6), explained that (b)(6), (b) initially proposed giving the LED credits a 50% weight. (b)(6), (b) agreed with (b)(6), that this was way too high. (b)(6), (b) (7) of the Law Department was also involved in these discussions. (b)(6), opined that ideally you would assign a 15-25% weight to LED. (b)(6), would use a 15% weight for the more complex contracts so that national firms would still be competitive and thus submit bids and 25% weight for the standard or routine contracts. A comprised was reached with the (b)(6), (b) Administration staff where a 35% weight would be assigned to LED with the caveat that they would try it for a while and see how it went. No contracts were identified as a sample to test the LED nor was a time frame set on when to revisit this issue. This effort was spear-headed by (b)(6), (b) (7)(C) of the Human Rights Department who advocated for a 35-50% range. (b)(6), (b) was an appointee of Mayor (b)(6), and (b)(6), believed (b) was just trying to keep (b) job when (b) took this position. (b)(6), (b) (7) explained that with this high of a (b)(6) (b)(7)

This document contains neither recommendations nor conclusions of the EPA.
It is the property of the EPA and is loaned to your agency;
it and its contents are not to be distributed outside your agency.

**United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report**

Case Number

0506-0026

weight given to the LED if a company didn't have a Detroit Headquartered Business Certification than they could not even compete for any DWSD contracts.

(b)(6), (b)(7) directed (b)(6), (b)(7) to stay away from the Mayoral Administration staff. (b)(6), (b)(7) told (b)(6), (b)(7) not to talk to them if they called and to come and see (b)(6), (b)(7) first. (b)(6), (b)(7) believed that (b)(6), (b)(7) wanted to make sure that the pressure was off of (b)(6), (b)(7) and (b)(6), (b)(7) was protecting (b)(6), (b)(7) from the Administration. (b)(6), (b)(7) added that it was unusual to get an inquiry directly from the Mayor or (b)(6), (b)(7) Administration as they usually deal with the Director.

(b)(6), (b)(7) recalled that the Mayor's Office requested a meeting with the Contracts & Grants staff on the selection of the contractor for the Upper Rouge River Combined Sewer Outfall contract. (b)(6), (b)(7) ended up being out of town when the meeting was held so (b)(6), (b)(7) handled the presentation. The DWSD had selected Jacob Engineering for the contract. (b)(6), (b)(7) and (b)(6), (b)(7) attended the meeting.

The 30-60-90 Day Reports are not public documents and contain more detail than is publically released such as the DWSD's estimated value and time of release of the RFP. These reports were not created during the (b)(6), (b)(7) Administration. (b)(6), (b)(7) created the reports and sends them up the management chain, including (b)(6), (b)(7) during the (b)(6), (b)(7) tenure. (b)(6), (b)(7) or the Administration staff would be the ones to forward to the Mayor. (b)(6), (b)(7) thought that (b)(6), (b)(7) received them when (b)(6), (b)(7) worked in the Targeted Business group as their mission was to foster and mentor small companies to be able to do business with the city.

Regarding the Automated Water Meters contract, (b)(6), (b)(7) felt that "they" were steering the contract to Johnson Controls Inc. (b)(6), (b)(7) recalled that (b)(6), (b)(7) lodged a complaint with the BOWC over the awarding of the contract to the Detroit Meter Partners. (b)(6), (b)(7) knew that (b)(6), (b)(7) had some connection with (b)(6), (b)(7) and other contractors. (b)(6), (b)(7) had also heard that (b)(6), (b)(7) was a part of the (b)(6), (b)(7) team. Detroit Meters Alliance was partnered with (b)(6), (b)(7) but was restructured after (b)(6), (b)(7) pulled out.

The evaluation was complete for the meters contract but then the DWSD management staff started to ask questions about the use of a fixed verses drive by systems. DWSD staff took trips to Washington DC and Denver to see systems in place. This was another contract where the Director was making the final decision on who to award the contract to. There was a lot of talk that the fix was in and that (b)(6), (b)(7) was on one of the bidding teams. (b)(6), (b)(7) recalled hearing this on the (b)(6), (b)(7)(C) radio show.

(b)(6), (b)(7) does not recall who asked (b)(6), (b)(7) to compile a list of principals on the bids. The evaluation memo was written on November 10, 2005. (b)(6), (b)(7) explained that the memo was written at this time because they had concluded negotiations with the two main bidders, DMP and (b)(6), (b)(7).

(b)(6), (b)(7) was shown an email written by (b)(6), (b)(7)(C) regarding the removal of the purchase of replacement meters from a contract. (b)(6), (b)(7) explained that as advertised the contract would have a contractor purchasing the meters and then marking them up thus it was cheaper for the department direct a different contractor to purchase the meters using a cash allowance. Contractors are not allowed to take a mark up on a cash allowance thus the department saved

This document contains neither recommendations nor conclusions of the EPA.
It is the property of the EPA and is loaned to your agency;
it and its contents are not to be distributed outside your agency.

**United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report**

Case Number

0506-0026

money.

DWSD did not have the man power to perform the water turns offs so it was decided to have a sub contractor on the meters contract do this. The DWSD sent notices to home owners of the need to replace their meters but even after sending five to seven of them would get no response. (b)(6), (b)(7) commented that this should have been including in the RFP and proposals.

(b)(6), (b)(7) suggested that SA (b)(6), (b)(7) talk to (b)(6), (b)(7) regarding an investigation (b)(6), (b)(7) conducted into allegations that FEI did not pay prevailing wages to their employees on the DWSD contracts as is required. (b)(6), (b)(7) thought that one employee was owed \$70,000 in back pay by FEI. If the DWSD finds that a contractor has failed to pay employees prevailing wages they hold payment to that contractor until the pay dispute was resolved. (b)(6), (b)(7) said (b)(6), (b)(7) was sure that one of the contracts for which FEI did not pay some employees prevailing wages was WS 623 and perhaps others. (b)(6), (b)(7) came in with an attorney to dispute the results of the investigation. The DWSD told (b)(6), (b)(7) to prove that (b)(6), (b)(7) had paid (b)(6), (b)(7) employees the appropriate wages, but (b)(6), (b)(7) couldn't, so the department held FEI's payments. This occurred near the end of the (b)(6), (b)(7) Administration. (b)(6), (b)(7) recalled that (b)(6), (b)(7) was upset with the department over this.

(b)(6), (b)(7) told (b)(6), (b)(7) that (b)(6), (b)(7) ran (b)(6), (b)(7) out of business.

Regarding a text message sent by (b)(6), (b)(7) to (b)(6), (b)(7) saying that they should have (b)(6), (b)(7) "tweak" a contract so that they would know who is in power, (b)(6), (b)(7) commented it was (b)(6), (b)(7) "unusual." SA (b)(6), (b)(7) explained that an addendum to a RFP was issued (b)(6), (b)(7) shortly after this text message. (b)(6), (b)(7) replied that addendums are not really a "tweak" but just responses to bidder's questions and providing clarifications.

(b)(6), (b)(7) explained that all DWSD employees are directed not to have communication with bidders and provide only public answers to the bidders, and this is supposed to be done through the Contracts & Grants office. Any contact regarding a project should be put in writing. (b)(6), (b)(7) believes that (b)(6), (b)(7) should not have been meeting with bidders nor having any form of communication with them. (b)(6), (b)(7) is not aware of any reason for (b)(6), (b)(7)(C) to have met with bidders for a contract either. (b)(6), (b)(7) added that no one outside of the DWSD should have had contact with bidders and that (b)(6), (b)(7) most mayors keep an arms length between themselves and contractors.

(b)(6), (b)(7) had heard that there was an incident between (b)(6), (b)(7) of (b)(6), (b)(7) and (b)(6), (b)(7) Afterwards (b)(6), (b)(7) was the low bidder on a contract but the Contracts & Grants staff were told by (b)(6), (b)(7) to re-bid the contract. (b)(6), (b)(7) told this to (b)(6), (b)(7) directly. The initial contract was cancelled and put back out to bid. (b)(6), (b)(7)(C) was the manager of the engineering group over this contract.

Regarding an email from October 4, 2002, in which a list of open contracts was sent by (b)(6), (b)(7) to (b)(6), (b)(7) (b)(6), (b)(7) commented that it was unusual for the Mayor's Office to want to know every open contract. (b)(6), (b)(7) is not aware of any prior or subsequent Mayor asking for this.

On occasion (b)(6), (b)(7) called (b)(6), (b)(7) to ask the status of a contract, whether it was being evaluated, etc. (b)(6), (b)(7) never felt that these calls were appropriate.

This document contains neither recommendations nor conclusions of the EPA.
It is the property of the EPA and is loaned to your agency;
it and its contents are not to be distributed outside your agency.

**United States Environmental Protection Agency
Criminal Investigation Division
Investigative Activity Report**

Case Number

0506-0026

SA (b)(6), (b) (7) informed (b)(6), (b) (7) that (b)(6), (b) (7) sent a text message saying that (b) (6) needed to meet with (b) (6) and that the message contained (b)(6), (b) (7) office number. (b)(6), (b) (7) does not recall this specific instance but explained that (b)(6), (b) (7) did call from time to time but (b) (6) was not asked about anything unusual.

This document contains neither recommendations nor conclusions of the EPA.
It is the property of the EPA and is loaned to your agency;
it and its contents are not to be distributed outside your agency.